

Message Text

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FOR ROGERS AND KLEINE FROM AMBASSADOR AND MISSION DIRECTOR

E.O. 11652: GDS

TAGS: ECON XM

SUBJECT: OMB BUDGET CUT FOR FY 1977

REF: STATE 253483

1. THE VIEWS OF THIS MISSION CONCERNING THE TERMINATION OF ASSISTANCE BECAUSE OF INCREASED GNP ARE WELL-KNOWN AND ARE DISCUSSED IN THE EXCHANGES BETWEEN THE MISSION AND WASHINGTON WITH RELATION TO THE ISSUE OF PHASING OUT AID TO ECUADOR.

2. THE POLICY RAMIFICATIONS FOR LATIN AMERICA/U.S. RELATIONS SEEM CLEAR. OUR POLICY OF "BENIGN NEGLECT" IS CARRIED TO ITS ULTIMATE ABSURDITY. SUCH RIGID CRITERION SEEMS A STEP BACKWARD FROM OUR POLICY TOWARDS THIRD WORLD COUNTRIES AS ENUNCIATED BY THE SECRETARY'S SPEECH TO THE UNITED NATIONS.

3. A GOOD DEAL OF THE GROWING TENSION BETWEEN THE UNITED STATES AND LATIN AMERICA IS PART OF THE PROCESS OF GROWING TO MATURITY -- A PROCESS WHICH IS FAIRLY UNIVERSAL. HOWEVER, A LARGE PART OF THIS GROWING ANTIPATHY IS THE RESULT OF THE WIDE DIVERGENCE BETWEEN WHAT WE SAY AND WHAT WE DO
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REGARDING OUR CONCERNS IN LATIN AMERICA.

4. FROM THE DEVELOPMENT POINT OF VIEW, USING PER CAPITA GNP AS THE MEASURE FOR DECIDING WHETHER A COUNTRY IS POOR OR RICH IS A VERY SUPERFICIAL AND INADEQUATE YARDSTICK. FOR EXAMPLE, THE PROCESS OF DEVELOPMENT INVOLVES HUMAN ACTION AND ADMINISTRATIVE CAPABILITIES TO IMPLEMENT DEVELOPMENT PROJECTS - IN A WORD - INSTITUTION BUILDING. PER CAPITA GNP IS NO INDICATOR OF THE LEVEL OF HUMAN COMPETENCE TO DEVELOP A COUNTRY. THE AVERAGE GNP BY DEFINITION INCLUDES BOTH ENDS OF THE INCOME SPECTRUM. IF ONE EXAMINES THE RURAL POOR WHERE AID BY CONGRESSIONAL MANDATE IS NOW CONCENTRATING, THE RURAL SECTOR AVERAGE PRODUCT COULD BE AS LOW AS 80 DOLLARS PER CAPITA AS IT IS IN ECUADOR.

5. FURTHER, IN THOSE CASES WHERE THERE IS A MAL-DISTRIBUTED GNP, OUR PROGRAMS TO A GREAT EXTENT HAVE HELPED FOCUS THE HOST GOVERNMENT'S ATTENTION ON THE POOR MAJORITY AND HAS BEEN AN IMPORTANT FORCE IN INCOME REDISTRIBUTION.

6. OUR ASSISTANCE PROGRAMS HAVE SELDOM BEEN BASED SOLELY ON THE CRITERION OF GREATEST NEED. WE HAVE ALSO HAD TO JUDGE, AND REASONABLY ENOUGH, THOSE COUNTRIES AND AREAS WITHIN COUNTRIES WHEREIN LIE THE GREATEST OPPORTUNITIES FOR SUCCESSFUL DEVELOPMENT PROGRAMS. A STRICT PER CAPITA GNP CRITERION ELIMINATES THIS ESSENTIAL FLEXIBILITY.

7. IN SUM, A REVIEW OF PAST U.S. ECONOMIC ASSISTANCE TRENDS WOULD INDICATE THAT THERE HAVE BEEN MANY CRITERIA USED FOR THE ALLOCATION OF AID. SOME OF THE CRITERIA MAY HAVE BEEN ILL-CONSIDERED. YET IT WOULD BE A MISTAKE TO LIMIT OUR FUTURE PROGRAMS TO A SINGLE BASIS FOR JUDGMENT.
BREWSTER

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